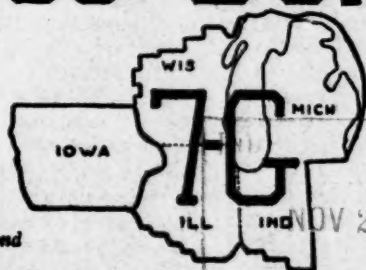


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, Chairman of the Board and
Federal Reserve Agent
CLIFFORD S. YOUNG, Asst. Federal Reserve Agent

GEORGE A. PRUGH, Asst. Federal Reserve Agent
HARRIS G. PETT, Manager
Division of Research and Statistics

Volume 16, No. 11

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

October 31, 1933

General Summary

CURRENT data indicate a moderate slowing-down in certain phases of Seventh district business, although the volume continues considerably heavier than last year. In most manufacturing industries, production in the nine months of 1933 exceeded that for the same period of 1932, but in the distribution of commodities, except for a few groups, cumulative sales for the year have not attained the volume of last year, despite decided improvement in the last four months.

Automobile production declined in September, in accordance with seasonal trend; output of steel and malleable castings was smaller, though orders increased; and shoe production was less. Operations at district steel mills expanded between the first of September and early October, as consumers specified on old contracts before price raises became effective, but new business fell off during the period. Shipments of furniture manufacturers gained, with new orders declining moderately. Building construction, as reflected in contracts awarded, was the largest within a year, although the movement of materials diminished. Employment in September reached the highest level in two years, though wage payments declined somewhat from a month previous.

In the production of foodstuffs, recessions were reported for September from August in meat, butter, and cheese, but the distribution of meat and cheese expanded. All three commodities were produced in greater volume than a year ago, and only in cheese were sales smaller. The movement of wheat in September continued below average, and that of oats was less than normal, but corn moved to primary markets in greater than seasonal volume. Weather conditions during the month were more favorable than in preceding months, so that some improvement was noted in crop production estimates.

Wholesale trade during September showed smaller than usual gains in all reporting groups but drugs, which experienced a slight non-seasonal recession, while comparisons with a year ago recorded either smaller increases than a month previous or declines. Department store trade likewise expanded less than seasonally in September, and sales exceeded those of a year ago to a lesser extent than in August. The retail shoe, furniture, and chain store trades reported larger sales for September than either a month previous or in September last year.

Trends in reporting member bank and Reserve bank data for the period September 13 to October 18 followed, for the most part, those of the preceding four-week period. September sales of commercial paper by dealers declined, while financing by means of bankers' acceptances increased in September as compared with August.

Credit Conditions and Money Rates

Continued participation in purchases of United States securities through the Federal Open Market Committee during the period September 13 to October 18, resulted in a further increase of \$41,000,000 in total credit extended by the Federal Reserve Bank of Chicago, bringing the aggregate to \$438,500,000, notwithstanding a reduction of \$2,391,000 in credit extended to the Seventh district. The small decrease in reserve bank credit extended locally was considerably more than offset by the heavy increase in commercial transactions with other districts together with a gain in Treasury operations, the other factors supplying banking reserves. Demand for currency during the period again showed a decline, as did non-member deposits. Member bank reserve balances, however, following the heavy increase in the preceding four weeks, continued to expand—by 60 million dollars. Itemized changes in the sources and uses of Seventh district banking reserves are presented in detail in the accompanying tabulation.

Changes Between September 13 and October 18 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District (Amounts in thousands of dollars)

Reserve bank credit extended.....	-2,391
Commercial operations through inter-district settlements.....	+44,798
Treasury operations.....	+9,481
Total supply.....	+51,888
Demand for currency.....	-6,632
Member bank reserve balances.....	+59,801
Non-member deposits.....	-2,790
Unexpended capital funds.....	+1,509
Total demand.....	+51,888

MEMBER BANK CREDIT

Changes recorded on October 18 as compared with September 13 in the condition of licensed reporting member banks in the Seventh district were of small proportions. As against October 19, 1932, loans on securities on October 18 of this year were less by 94 million dollars, "all other" (commercial) loans exceeded the year-ago figure by 19 millions, and investments were larger by 36 millions.

Net demand deposits were nearly 180 million dollars above the aggregate reported a year ago. The table below sets forth the changes on October 18 in principal items of condition, as compared with the preceding month and with the corresponding reporting date in 1932.

Down-town Chicago banks reported a range of 3 to 5 per cent as the prevailing rate on customers' commercial loans for the week ended October 15, unchanged from the corresponding period in September. The average rate earned on loans and discounts by Chicago banks in the down-town area was reported as 3.30 per cent for the calendar month of September, as against 3.88 per cent in August and 4.49 per cent in September 1932. In Detroit, the prevailing rate on customers' commercial loans for the week ended October 15 was $3\frac{1}{2}$ to 5 per cent, or the same as in the preceding month.

Though decreasing only $4\frac{1}{2}$ per cent from August and totaling 7 per cent in excess of a year ago, September sales of commercial paper in the Middle West aggregated less than for any previous month since May and were $76\frac{1}{2}$ per cent below the 1923-32 seasonal average. Demand remained sufficiently strong to absorb the limited supply at lower interest rates than prevailed a month earlier. Selling quotations ranged from 1 and $1\frac{1}{4}$ per cent for prime short-term obligations to $1\frac{1}{2}$ and $1\frac{3}{4}$ per cent for those less well known or of longer maturity; most transactions took place within a range of $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. Outstandings increased $7\frac{1}{2}$ per cent on September 30 over a month earlier to a higher level than for any reporting date since November 1932, though continuing nearly 77 per cent under the 1923-32 average for the month. Under the influence of a fair demand, sales for the first half of October expanded $22\frac{1}{2}$ per cent over the corresponding weeks of September. However, borrowing remained so light that selling rates showed a further decline; October 15 quotations ranged from 1 to $1\frac{1}{2}$ per cent, with most business being transacted at 1 to $1\frac{1}{4}$ per cent.

Market operations of Chicago bill dealers averaged considerably greater from September 14 to October 11 than in the preceding four-week period. A heavy increase in local purchases—the volume of which was the largest since February 9 to March 15—together with an increase in receipts from Eastern markets, resulted in total supplies registering a gain of $91\frac{1}{2}$ per cent over the preceding period and 143 per cent over last year. Under the influence of an active demand from Eastern centers and heavy sales to out-of-town banks, these bills moved rapidly into investment channels. As a consequence, holdings of Chicago dealers on October 11 were almost negligible. Selling rates remained unchanged during the period, quotations on October 11 being $\frac{1}{4}$ per cent for 30-day offerings to $\frac{3}{4}$ per cent for those of 180 days.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

	(Amounts in millions of dollars)		
	OCT. 18 1933	CHANGE FROM SEPT. 13 1933	OCT. 19 1932
Total Bills and Securities.....	\$438.3	\$+42.2	\$+153.7
Bills Discounted.....	5.8	-1.3	-12.3
Bills Bought.....	0.8	+0.0	-3.3
U. S. Government Securities.....	431.7	+43.4	+169.3
Total Reserves.....	961.1	+24.4	+151.4
Total Deposits.....	574.2	+58.9	+203.8
Federal Reserve Notes in Circulation.....	752.9	+5.8	+75.3
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	72.4	-1.8*	-4.9*

*Number of points.

In the Seventh Federal Reserve district, new financing by means of bankers' acceptances—after having declined to relatively small proportions during August—returned in September to a level 41 per cent above a year ago and 23 per cent higher than the 1923-32 average for the month. A counter-to-seasonal expansion likewise was shown in the direct discounting of these bills at the originating banks and in the purchasing of other banks' bills. Total purchases of this class of investments by accepting banks of the district, therefore, aggregated 59 per cent heavier in the month than the 1923-32 seasonal average. On the other hand, sales were below any other month on record (January 1923), amounting to only $1\frac{1}{2}$ per cent of the volume of current purchases. These trends, coupled with the effect of a smaller amount of maturities from portfolios, caused bill holdings of accepting institutions to reach a higher point on September 30 than for any previous reporting date. As total maturities of outstanding bills exceeded by \$1,500,000 the amount of acceptances created in the month, liabilities were reduced 4 per cent from August 31. New financing fell off sharply in the first half of October, largely as a reflection of a seasonal reduction in borrowing by the grain industry.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN	
	AUGUST 1933	SEPT. 1933 FROM SEPTEMBER 1932
Total value of bills accepted.....	+8.3	+40.8
Purchases (including own bills discounted).....	+13.7	+53.3
Sales.....	-66.9	-90.8
Holdings*.....	+13.7	+56.2
Liability for outstandings*.....	-3.9	+1.5

*At end of month.

SECURITY MARKETS

A very moderate degree of activity prevailed in the Chicago bond market during September and prices moved gradually downward, all classifications being affected. This condition reflected in part the virtual cessation of new offerings, as well as a "waiting" attitude on the part of the investing public. Municipal bonds continue to be shown the preference in demand but in this group, also, the level of activity has been greatly reduced. United States Government issues held quite steady throughout the period. During the first half of October, though offerings continued restricted, bonds firmed and prices were somewhat higher. Prices on the Chicago Stock Exchange moved gradually downward during September and the first two weeks of October. The average price of twenty leading stocks* amounted to \$26.96 on October 14 and compared with a price of \$30.38 on the corresponding date in September.

*Chicago Journal of Commerce.

Agricultural Products

September weather conditions in the Seventh district were, on the average, more favorable than in any preced-

CONDITION OF LICENSED REPORTING BANKS, SEVENTH DISTRICT

	(Amounts in millions of dollars)		
	OCT. 18 1933	CHANGE FROM SEPT. 13 1933	OCT. 19 1932
Total Loans and Investments.....	\$1,510	\$-8	\$-39
Loans on Securities.....	404	+8	-94
All Other Loans.....	469	-3	+19
Investments.....	637	-13	+36
Net Demand Deposits.....	1,215	+33	+179
Time Deposits.....	464	-4	-4
Borrowings from Federal Reserve Bank.....	0	0	0

ing month of the growing season. Rainfall was normal or above, except in Wisconsin, with Indiana and Iowa experiencing the greatest excess; and temperatures averaged at least normal. Crops matured well, and general though slight improvement was indicated in probable production. Most significant increases since September 1 in forecasts by the Department of Agriculture for this district were 4 million bushels of corn and nearly 2 millions in white potatoes, the latter more than regaining the loss in condition sustained during August. Recent improvement in most crops, however, has been minor in comparison with the damage sustained in the wet spring and succeeding drouth period, and aggregate farm production of the district will be far below average, necessitating substantial use of old supplies.

The corn crop reached maturity ahead of damaging frosts in practically all sections, and production probably will be within 10 per cent of the 1926-30 average, though the estimate for this district is 25 per cent less than the large 1932 crop. The merchantable quality is estimated as lower than a year ago. Corn has dried out rapidly in recent weeks and husking is well under way. Digging of late potatoes and pulling of sugar beets, and other late harvesting has been making headway. Fall seeding has made better progress since the September rains, and some wheat and rye is up in good stands.

GRAIN MARKETING

September receipts of wheat at interior markets declined only 15 per cent from August and shipments increased 13 per cent, as compared with five-year average August-September losses of 29 and 27 per cent, respectively. The volume continued at less than half the five-year average, as in the two preceding months. A readjustment of the burdensome wheat supply since July 1, as a result of the short crop, is shown in the visible supply and farm stock figures. The former apparently reached its peak for this season on September 30, having increased only 25 million bushels during the three months, as against a ten-year average gain of 57 millions for the same period. Farm stocks on October 1, as estimated by the Department of Agriculture, had increased only 224 million bushels over July 1, as compared with gains of 316 millions in 1932 and 449 millions in 1931, and were materially lower than on these comparable dates. A rising dollar in foreign exchange, however, offset the effect of the supply situation and the possibility of inflation as major influences in market quotations, with the result that wheat and feed grain prices as well averaged lower than in August and suffered considerable further loss in early October.

The primary movement of corn was above average, while that of oats was considerably below the usual September volume. Seasonal declines from August were recorded by receipts of oats and shipments of both grains, while receipts of corn increased 85 per cent over a month previous. Farm stocks of corn on October 1 were 60 million bushels above a year ago and nearly double the 1931

figure. Oats on farms have increased less than 400 million bushels since July 1, as against more than 800 millions in 1932 and 700 millions in 1931. The quantity this year is estimated to be 385 million bushels below a year ago, due to the extremely small production.

MOVEMENT OF LIVE STOCK

Hog marketings in the United States aggregated much greater during September than for any previous month since December 1924, principally due to a continuation of the Government program of buying 25- to 100-pound pigs in an effort to raise future prices by removing 6,000,000 hogs from this year's supply. Cattle and lamb receipts at public stock yards, on the other hand, increased less than a customary amount over August and were not only smaller than a year ago but considerably under the 1923-32 average for September. Though remaining above the corresponding period of 1932, calf marketings showed a greater-than-seasonal recession from August. The movement of animals to inspected slaughter (inclusive of direct purchases but exclusive of pigs purchased by the Government) differed sharply from the trend of receipts. The most noteworthy of these divergences were a decrease in hogs, cattle, and calves from August and an excess of all live stock over the 1923-32 seasonal average. Furthermore, the supply of hogs decreased and that of cattle increased in comparison with last September.

Reshipments to feed lots expanded less than the usual amount over August, remaining considerably under last year and seasonal levels.

MEAT PACKING

Slaughtering establishments in the United States remained much more active during September than a year ago. However, the volume of production showed an expansion of only 2 per cent in that comparison and of 6½ per cent over the 1923-32 seasonal average, as it declined 9 per cent from August to a level lower than for any other month this year since March. On the other hand, pay-

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of October 1 condition.

(In thousands of bushels unless otherwise specified)		SEVENTH DISTRICT		UNITED STATES		AVERAGE
		1933	1932	1933	1932	
Corn.....	797,823	1,065,741	2,291,398	2,875,570	2,511,991	
Oats.....	285,630	523,589	698,531	1,238,231	1,189,693	
Winter Wheat..	42,191	46,050	340,355	461,679	589,733	
Spring Wheat..	2,126	3,380	174,461	264,604	271,435	
Barley.....	34,536(a)	56,074(a)	159,741	299,950	263,629	
Rye.....	5,592(a)	7,145(a)	23,116	40,409	41,564	
Buckwheat....	814(a)	694(a)	7,384	6,772	9,913	
Flaxseed.....	197(b)	243(b)	7,371	11,787	20,011	
Potatoes(white)	39,738	59,382	307,382	357,679	355,438	
Potatoes(sweet)	1,242(c)	1,475(c)	69,951	78,484	62,483	
Sugar Beets¹..	1,162(d)	1,215(d)	10,859	9,070	7,718	
Apples.....	15,127(a)	12,712(a)	147,447	140,775	168,773	
(total crop)²..	1,965(e)	2,215(e)	45,284	42,443	56,575	
Peaches.....	955(e)	1,012(e)	21,256	22,050	22,921	
Pears.....	47(f)	80(f)	579	540	580	
Cranberries³..	68(a)	38(a)	1,724	2,204	2,447	
Grapes¹.....	2,952(g)	4,277(g)	10,771	10,164	11,107	
Dry Beans⁴...²	21,532	36,620	1,413,373	1,015,512	1,411,697	
Tobacco⁵.....	13,580	14,194	67,337	69,794	72,678	
All Tame Hay¹..	5(h)	8(h)	29	37	49	
Broom Corn¹...²	4,727(a)	7,258(a)	21,517	28,331	23,294	
Onions.....	1,413(i)	1,483(i)	8,308	10,184	8,091	
Celery⁶.....	65(j)	110(j)	2,806	3,302	4,883	
Cucumbers.....	117(k)	194(k)	748	975	936	
Cabbage¹.....						
CANNING CROPS:						
Tomatoes¹...²	286(e)	287(e)	957	1,199	1,232	
Beets¹.....	7(k)	10(k)	19	22	

¹ In thousands of tons. ² In thousands of barrels. ³ In thousands of 100-lb. bags. ⁴ In thousands of pounds. ⁵ In thousands of crates. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Indiana, Iowa, and Michigan. (f) Wisconsin. (g) Michigan and Wisconsin. (h) Illinois. (i) Indiana and Michigan. (j) Illinois and Michigan. (k) Indiana, Michigan and Wisconsin.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	SEPT. 1933	AUG. 1933	SEPT. 1932
Chicago.....	\$2,028	-5.5	+9.2
Detroit, Milwaukee, and Indianapolis.....	684	+3.9	+0.4
Total four larger cities.....	\$2,712	-3.3	+6.8
32 smaller centers.....	405	+2.8	-8.2
Total 36 centers.....	\$3,117	-2.5	+4.6

rolls at the close of September not only continued to reflect the high degree of improvement over 1932 that had been evidenced a month earlier but also recorded a gain over August of $3\frac{1}{2}$ per cent in number of employes, 3 per cent in hours worked, and of 4 per cent in wage payments. The total value of sales billed to domestic and foreign customers rose $7\frac{1}{2}$ per cent in September to a level 10 per cent above a year ago though $40\frac{1}{2}$ per cent under the 1923-32 average for the month—the latter largely a reflection of lower prices. The tonnage sold was not only greater than in the preceding month or last year but exceeded the seasonal average by $5\frac{1}{2}$ per cent. Little change took place from August in the general price level of packing-house commodities, despite some easing in quotations of a number of individual items. Prices, therefore, remained somewhat above those of a year ago. Consumption showed a slightly greater excess over current production than is customary at this season of the year. As a consequence, October 1 inventories recorded a gain of only 230,208,000 pounds over the 1928-32 seasonal average.

Shipments for export expanded in September over August. Foreign demand for American lard remained fair in the United Kingdom and tended to show some improvement on the Continent. Trade in meats continued on a restricted basis; a further restriction in bacon and ham import quotas was announced by England during the month. Most sales of both meat and lard were made from stocks already landed in foreign markets. The price of American lard on the Continent and that of hams and picnics in the United Kingdom were about on a parity with Chicago. With these exceptions, European quotations for such commodities generally were below a United States basis. Inventories of United States packing-house products in foreign markets (inclusive of stocks in transit) increased on October 1 over the beginning of September.

DAIRY PRODUCTS

The production of creamery butter in the Seventh Federal Reserve district showed a seasonal contraction of 19 per cent in September from August, but was $7\frac{1}{2}$ per cent heavier than a year ago and one per cent in excess of the 1923-32 average for the month. Though totaling $7\frac{1}{2}$ per cent greater than last September, the sales tonnage fell off $17\frac{1}{2}$ per cent from August, as compared with an average decline of $13\frac{1}{2}$ per cent, and was one per cent below the usual seasonal level. United States manufacture of the commodity followed trends similar to those of the Seventh district. As consumption failed to record as large an

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, September 1933.....	214	1,903*	391	73
Federally Inspected Slaughter, United States				
September 1933.....	821	3,038	1,609	405
August 1933.....	840	3,477	1,532	416
September 1932.....	718	3,252	1,667	366

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED OCT. 21 1933	SEPT. 1933	MONTHS OF AUG. 1933	SEPT. 1932
Native Beef Steers (average)...	\$5.45	\$5.70	\$6.00	\$8.05
Fat Cows and Heifers.....	4.05	4.30	4.40	5.15
Calves.....	6.00	6.65	6.35	6.70
Hogs (bulk of sales).....	4.25	4.25	4.05	4.05
Yearling Sheep.....	4.85	5.35	5.35	4.25
Lambs.....	6.55	6.65	7.25	5.45

*Includes a large number of pigs slaughtered for Government account.

excess over current production as is customary at this time of year, October 1 inventories of creamery butter in the United States declined only 619,000 pounds from the beginning of September and, consequently, were almost double those of a year ago and 57,308,000 pounds above the 1928-32 October 1 average.

In Wisconsin, the manufacture of American cheese declined $14\frac{1}{2}$ per cent in the four weeks ended September 30 from the preceding period to a level $5\frac{1}{2}$ per cent below the 1928-32 average for the month and only 7 per cent in excess of a year ago. Though showing a counter-to-seasonal expansion of $10\frac{1}{2}$ per cent over August, distribution of the commodity from primary markets of the state was 10 per cent less than current production and $5\frac{1}{2}$ per cent under last September. This tendency for manufacture to exceed distribution was likewise reflected in United States inventories of the commodity, which showed a non-seasonal expansion of 4,650,000 pounds on October 1 over the beginning of September and were 15,121,000 pounds above the 1928-32 average. Prices declined in September from August.

Industrial Employment Conditions

A further increase in the employment of wage earners was reported by Seventh district industries for September. A rise of 3 per cent—somewhat more moderate than the gains experienced during the four preceding months—brought industrial employment to the highest level attained since September 1931. Payroll figures reflected a less favorable position, a weekly aggregate in September showing a decline of $2\frac{1}{2}$ per cent from the corresponding period in August and remaining below the level prevailing in the first quarter of 1932. Shorter operating schedules for a considerable number of workers in many of the important industries accounted for this decline, these being more than sufficient to offset the effect on payrolls of an increased volume of employment as well as of the general tendency towards higher wage rates that was apparent among the lower paid classes of workers.

Increases in working forces from the middle of August to the middle of September were shown by all but three of the ten manufacturing groups and by all the non-manufacturing groups, the latter covering construction work, coal mining, public utilities, and merchandising. The tex-

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF SEPTEMBER 15, 1933			CHANGE FROM AUG. 15, 1933	
	REPORT- ING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
Metals and Products ¹	785	163,778	3,032	+4.4	-1.2
Vehicles.....	183	217,447	4,785	+2.9	-9.6
Textiles and Products.....	146	33,928	558	-0.9	+3.5
Food and Products.....	386	82,315	1,584	+3.4	+4.4
Stone, Clay, and Glass.....	146	8,841	158	-7.5	-6.0
Wood Products.....	279	27,077	375	+6.5	+11.5
Chemical Products.....	113	16,059	333	+4.4	+1.7
Leather Products.....	90	27,660	448	-2.6	-0.7
Rubber Products ²	8	7,503	147	+5.2	+1.3
Paper and Printing.....	332	50,548	1,081	+1.4	-0.7
Total Mfg., 10 Groups....	2,468	635,156	12,501	+2.8	-3.3
Merchandising ³	277	38,021	722	+2.6	+2.9
Public Utilities.....	77	77,679	2,159	+1.6	-1.7
Coal Mining.....	20	3,174	53	+32.9	+35.7
Construction.....	329	11,788	206	+9.5	+12.9
Total Non-Mfg., 4 Groups..	703	130,662	3,140	+3.2	+0.6
Total, 14 Groups.....	3,171	765,818	15,641	+2.9	-2.6

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

tile industries, one of the three groups in which employment declined, showed increased payrolls of $3\frac{1}{2}$ per cent. Payrolls in the leather products industry decreased by less than one per cent but employment fell off $2\frac{1}{2}$ per cent. In the stone, clay, and glass products industries, a loss of $7\frac{1}{2}$ per cent representing about half of the preceding month's increase was reported for employment and a decrease of 6 per cent for payrolls, the latter counteracting most of the 7 per cent increase reported for this item in August.

Four manufacturing groups—rubber, chemicals, foods, and wood products—increased payrolls as well as employment, the gains in wage payments ranging from one per cent for the rubber industry to $11\frac{1}{2}$ per cent for the wood products group. The large metals group added $4\frac{1}{2}$ per cent more workers but showed a decrease of one per cent in wage payments. Vehicles with a rise of 3 per cent in working forces reported wage payments lower by nearly 10 per cent. With the exception of the public utilities, non-manufacturing industries showed gains in payrolls as well as in employment. A decrease of $1\frac{1}{2}$ per cent in payrolls of the public utilities group approximately equaled the increase in this item in the preceding month.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

September production of automobiles in the United States declined moderately from the preceding month, in accordance with seasonal trend, although operations remained well above the level of a year ago. Passenger vehicles produced in the month numbered 160,891, a reduction of $17\frac{1}{2}$ per cent from the August volume but $148\frac{1}{2}$ per cent heavier than for last September. Truck output totaled 35,182, or 15 per cent smaller than a month previous and 81 per cent greater than a year ago. Data covering the nine months of 1933 show that passenger car production exceeded that of the entire year 1932 by 23 per cent and truck output totaled 16 per cent heavier; comparisons with the first three quarters of 1931 record decreases of 21 and $22\frac{1}{2}$ per cent, respectively.

Midwest distribution of automobiles likewise registered a decline in September that was seasonal in nature. Sales to dealers and to consumers fell off more than 20 per cent in the period. Increases over the corresponding month of 1932 remained large, although they were not so great as shown in the preceding month. The number of new cars on hand at the end of September rose somewhat over the number held on August 31, and was substantially greater

than on the same date a year ago. Trends in used car sales and stocks followed closely those in new cars. The value of sales made on the deferred payment plan amounted, during September, to 44 per cent of total retail sales by dealers reporting the item; this compares with a like ratio in August and with 48 per cent last September.

IRON AND STEEL PRODUCTION

Some further decline in business took place during September at Chicago district steel mills. The rate of steel ingot output had risen, however, from only 40 per cent of capacity in the early part of September to 48 per cent by the tenth of October, the latter figure comparing with only 18 per cent at the same time last year. The rise in ingot output may be attributed largely to consumers' efforts to take commitments on old contracts before the expiration date on October 15, prices on plates, shapes, and bars having been advanced on October 1. Scrap iron and steel prices were easier at the end of September.

Increases of 31 per cent for steel and 5 per cent for malleable castings were recorded in the volume of orders booked in September by foundries of the Seventh district. This reflects the first upward movement in demand since the marked expansion that occurred in June. Tonnages shipped fell below those of August—14 per cent in steel and 9 per cent in malleable castings; and production was curtailed 15 and 21 per cent, respectively. As compared with the corresponding tonnage figures of September 1932, steel castings show increases of 232 per cent in orders, 65 per cent in shipments, and 131 per cent in production. For malleable castings these comparisons register respective gains of 148, 175, and 160 per cent.

Manufacturers of stoves and furnaces report continued increases in the volume of orders accepted, the rise during September totaling 24 per cent, which brings the volume to a level 46 per cent above that of a year ago. Shipments increased 11 per cent over the preceding month and showed an excess of 34 per cent over September 1932. Molding-room operations declined 12 per cent, reversing a trend which has been upward since last March and reaching a volume which is practically on a level with that prevailing a year ago.

FURNITURE

September orders booked by furniture manufacturers reporting to this bank, though receding 12 per cent from the August volume, continued—for the fifth consecutive month—well in excess of those in the corresponding period

MIDWEST DISTRIBUTION OF AUTOMOBILES
Changes in September 1933 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED	
	AUGUST 1933	SEPTEMBER 1932	AUGUST 1933	SEPTEMBER 1932
New Cars				
Wholesale—				
Number Sold.....	-28.0	+148.6	20	13
Value.....	-28.7	+98.6	20	13
Retail—				
Number Sold.....	-21.2	+93.1	62	38
Value.....	-23.4	+64.9	62	38
On Hand Sept. 30—				
Number.....	+6.3	+38.3	62	38
Value.....	+6.2	+3.8	62	38
Used Cars				
Number Sold.....	-18.8	+32.3	62	38
Salable on Hand—				
Number.....	+6.6	+34.3	62	38
Value.....	+3.6	+8.6	62	38

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	SEPT. 1933: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	AUGUST 1933	SEPT. 1932	
Wholesale Lumber:			
Sales in Dollars.....	-17.2	+44.9	12
Sales in Board Feet.....	-15.9	+20.4	10
Accounts Outstanding ¹	-7.9	+47.9	11
Retail Building Materials:			
Total Sales in Dollars.....	-9.3	-4.5	166
Lumber Sales in Dollars.....	-12.7	+1.8	55
Lumber Sales in Board Feet.....	-11.0	-3.8	66
Accounts Outstanding ¹	+1.1	-9.5	162
Ratio of Accounts Outstanding ¹ to dollar sales during month			
	SEPT. 1933	AUGUST 1933	SEPT. 1932
Wholesale Trade.....	216.2	194.5	211.7
Retail Trade.....	380.7	342.0	399.9

¹End of month.

a year ago. Shipments also showed the fifth substantial gain in the yearly comparison—51 per cent; and were 7 per cent heavier than in August, the sixth successive increase in the monthly comparison. Total orders booked during the first nine months of this year exceeded by 24 per cent those for the corresponding period last year, and shipments were 10 per cent greater. During the current month, unfilled orders outstanding fell off 15 per cent and stood on September 30 in a ratio of 96 per cent to September orders, or 5 points lower than a month previous. The rate of operations averaged 60 per cent of capacity in September, unchanged from the preceding month and comparing with 57 per cent a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Operations of shoe manufacturers of the Seventh district were not maintained through September at the rate prevailing in August when output exceeded that of any previous month since October 1929. The decline for the month amounted to 9 per cent, which brought production to a level only 8 per cent above that of the same month a year ago, as against a favorable margin of 33 per cent in a similar comparison for August and of 117 per cent for July. Output for the nine months of the year to date totaled 36 per cent larger than in the same months of 1932. The leather industry also registered a recession in September, both production and sales falling off, and tanners finding it difficult to hold prices to levels established in August. The hide market declined as much as 3 cents during the month, enabling packers to dispose of a substantial share of the large holdings which had accumulated since July. Continued large sales of hides and skins were reported for the first half of October at a further price decline of 2 cents.

Building Materials, Construction Work

Declines from August were general in Seventh district building materials lines. Distribution of lumber at wholesale and production of cement and clay products recorded greater than seasonal recessions, while operations at retail yards fell off in September in contrast to the increase usual in previous years. Midwest cement shipments exceeded production and were almost equal to those of August, but amounted to only about 65 per cent of the year-ago volume. Buying of materials in anticipation of price increases, which had been an important factor for several months, was largely eliminated at the higher levels which quotations had attained.

Business of reporting wholesale lumber dealers continued the downward trend of August and recorded smaller increases over a year ago than for four preceding months, both in dollars and in board feet. The average August-September decline in sales of recent years has been about 5 per cent. Total sales at retail yards fell below

last year for the first time in four months, as a result of a counter-to-seasonal recession from August, amounting to 9 per cent. The ratio of accounts to sales increased at both wholesale and retail, as accounts were not reduced materially. Stocks remained at a low level in most yards. Further price increases were reported by many firms.

BUILDING CONSTRUCTION

September building activity in the Seventh Federal Reserve district reached the highest level within a year, and total contracts awarded of almost 20 million dollars, were only 2½ millions below the volume of September 1932. Residential contracts, comprising a little over 18 per cent of total awards, likewise increased to the largest recorded volume since October 1931.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
September 1933.....	\$19,565,612	\$3,606,684
Change from August 1933.....	+32%	+73%
Change from September 1932.....	-11%	+83%
First nine months of 1933.....	\$103,130,779	\$17,624,539
Change from same period 1932.....	-40%	-16%

*Data furnished by F. W. Dodge Corporation.

Building permits issued during September in the Seventh district also showed an improvement over the preceding month, the estimated cost of proposed construction in 95 cities registering an increase of 23 per cent; a decline of 46 per cent, however, was shown in the comparison with a year ago. The number of permits issued fell off 10 and 6 per cent, respectively. Of the five larger cities of the district—Chicago, Detroit, Indianapolis, Des Moines, and Milwaukee—the last alone differed from the district trend in the monthly comparison of estimated cost, while Milwaukee and Detroit were the only two which failed to register a gain over a year ago.

Merchandising

Wholesale trade data for September recorded less favorable trends, for the most part, than in recent months. Gains over August in grocery, hardware, dry goods, and electrical supply sales were smaller than usual for the period, while a slight recession in the drug trade was contrary to seasonal trend. Expansion in the monthly comparison amounted to 3 per cent in groceries, 2½ per cent in hardware, 15 per cent in dry goods, and to less than one-half per cent in electrical supplies, with drug sales declining one per cent. As compared with a year ago, the increases shown in the table for hardware, dry goods, and electrical supplies were smaller than in a similar comparison for August, while the declines in groceries and drugs

DEPARTMENT STORE TRADE IN SEPTEMBER 1933

LOCALITY	PER CENT CHANGE SEPTEMBER 1933 FROM SEPTEMBER 1932		PER CENT CHANGE NINE MONTHS 1933 FROM SAME PERIOD 1932		RATIO OF SEPT. COL- LECTIONS TO ACCOUNTS OUTSTANDING END OF AUG.	
	NET SALES	STOCKS END OF MONTH	NET SALES		1933	1932
Chicago.....	+14.8	+31.4	+1.0		28.2	21.0
Detroit.....	+5.6	-13.9	-19.0		33.2	26.4
Indianapolis.....	+5.5	+51.0	-4.2		34.0	33.9
Milwaukee.....	+10.0	+27.2	-8.2		30.0	28.1
Other Cities.....	+6.6	+4.0	-7.5		26.9	24.8
7th District.....	+9.9	+17.8	-6.7		29.9	25.6

WHOLESALE TRADE IN SEPTEMBER 1933

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTAND- ING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	-0.8	+13.8	-2.3	+9.0	109.3
Hardware.....	+15.6	-4.8	-2.0	+12.9	246.2
Dry Goods.....	+3.7	-3.4	+6.6	+24.1	272.0
Drugs.....	-1.6	-13.1	-10.1	-3.1	219.3
Electrical Supplies.....	+44.5	+1.2	+14.9	+34.2	191.1

contrasted with gains recorded a month previous. In the three quarters of 1933, electrical supply sales totaled almost 9 per cent larger than in the same period of 1932, and dry goods sales increased one per cent, but hardware sales aggregated less by 2 per cent, groceries by 6 per cent, and drug sales by 15 per cent. Stocks in practically all reporting groups expanded slightly between the end of August and September 30.

The 19 per cent increase for September over August in Seventh district department store trade compared with an expansion in the 1923-32 average for the month of 25 per cent. Furthermore, the dollar volume of sales exceeded that of the same month last year by only 10 per cent, as against an increase of 28 per cent in the yearly comparison for August, although the gain for the current period was larger than that shown in July. The 15 per cent increase over last September in Chicago department store sales brought the total for that city in the nine months of 1933 to one per cent above the aggregate for the same period of 1932. In the comparison with the preceding month, sales by Chicago stores were only 7 per cent larger in September; in Milwaukee they expanded 13 per cent, in Indianapolis 22 per cent, in Detroit 60 per cent (owing to special sales during the month); while the total for stores in smaller cities showed an increase of but 5 per cent. Continued expansion in stocks was recorded at the end of September, the district total reaching a level 18 per cent higher than a year ago, with the 17 per cent gain over a month previous the largest on our records for September (from 1922).

Not only was the 66 per cent gain over August in the September retail shoe trade considerably greater than seasonal, but it followed a contrary-to-seasonal expansion in the earlier month. Reporting shoe dealers and the shoe departments of department stores with few exceptions shared in the increases over both a month previous and last September, the aggregate gain in the latter comparison being 10 per cent. In the nine months of 1933, sales totaled 8 per cent smaller than in the first three quarters of last year. Stocks gained 11½ per cent during September, bringing them to 7 per cent above those on hand on September 30, 1932.

Sales of furniture and house furnishings at retail expanded 13 per cent in September over the preceding month, which gain, however, was considerably smaller than the 37½ per cent shown in the 1927-32 average for the month. Also, the increase of 8 per cent recorded over last September was less than in the year-ago comparison for any of the four preceding months. At the end of the month, stocks totaled 13 per cent heavier than a month previous and 5 per cent larger than on the corresponding date last year.

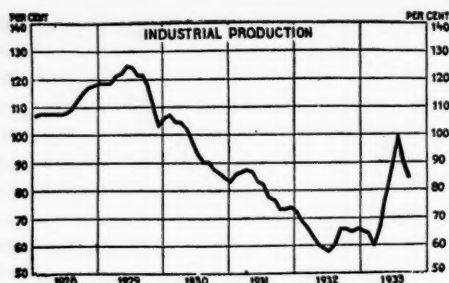
In reporting groups of chain store trade, groceries, drugs, five-and-ten-cent stores, cigars, and musical instruments had heavier sales in September than in the preceding month, while sales by shoe and men's clothing chains were smaller, the aggregate dollar volume sold by all groups increasing 6 per cent in the comparison. With the exception of musical instruments, no declines were recorded from a year ago, and total sales gained 12 per cent.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Sept. 1933	Aug. 1933	July 1933	June 1933	May 1933	Apr. 1933	Sept. 1932	Aug. 1932	July 1932	June 1932	May 1932	Apr. 1932
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	62	58	60	56	56	48	57	53	52	50	51	52
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	13	19	21	21	18	12	10	12	11	10	12	14	14
In Tons.....	13	19	23	25	19	13	10	12	10	9	11	14	15
Malleable—In Dollars.....	21	24	24	21	21	16	12	8	8	7	11	12	13
In Tons.....	21	38	41	36	37	29	22	14	13	12	19	21	23
Stoves and Furnaces—													
Shipments (in dollars).....	10	101	91	63	58	54	44	80	46	29	39	48	50
Furniture—													
Orders (in dollars).....	17	40	46	61	30	32	24	31	25	22	14	20	26
Shipments (in dollars).....	17	45	42	29	27	26	22	30	22	13	15	24	29
Flour—													
Production (in bbls.).....	22	93	93	98	121	108	114	118	130	114	120	112	116
Output of Butter by Creameries—													
Production.....	67	99	122	123	139	135	94	92	111	118	141	140	102
Sales.....	69	96	116	106	132	113	87	89	102	106	130	112	95
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	29	70	68	67	71	63	56	70	65	59	71	66	68
Hardware.....	12	49	47	46	60	53	38	42	36	35	54	50	52
Dry Goods.....	9	39	34	44	39	34	26	38	28	22	29	32	34
Drugs.....	13	61	61	52	58	54	49	61	59	52	66	64	67
Retail Trade—(Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	23	68	65	47	66	61	56	61	45	39	59	60	64
Detroit.....	5	87	57	41	66	74	65	87	54	51	78	86	89
Indianapolis.....	5	80	65	48	63	72	71	76	50	44	67	67	75
Milwaukee.....	5	73	65	52	63	68	70	66	53	48	67	71	81
Other Cities.....	44	59	56	40	57	59	57	56	46	38	56	60	67
Seventh District.....	82	71	62	45	64	65	60	66	48	42	63	66	71
Automobile Production—(U. S.)—													
Passenger Cars.....	55	67	67	72	63	52	52	22	26	32	55	54	41
Trucks.....	93	110	101	111	89	73	73	52	38	38	60	70	73
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	12	7	9	8	10	5	5	7	7	7	10	10	9
Total.....	29	22	27	19	15	10	10	32	32	24	27	36	24
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....	42	52	59	45	31	18	18	20	22	26	29	30	32
United States.....	52	60	59	43	29	21	21	20	17	19	21	26	29
Steel Ingot Production—(U. S.).....	67	81	96	75	56	41	41	29	24	24	26	33	36
Unfilled Orders U. S. Steel Corp.....	37	40	42	44	40	39	39	42	41	41	43	46	49

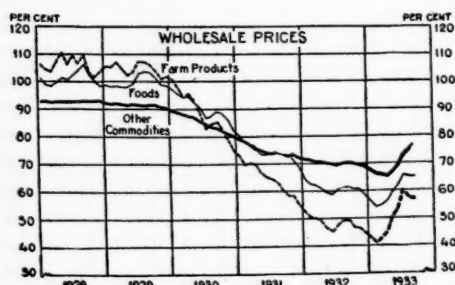
*Average daily production.



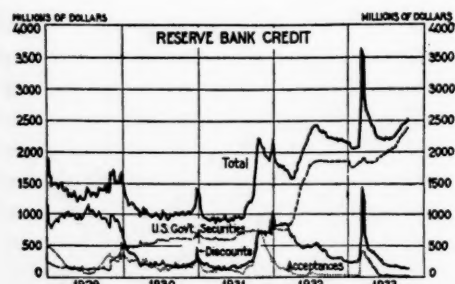
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Indexes of factory employment and payrolls, without adjustment for seasonal variation (1923-1925 average = 100).



Index of United States Bureau of Labor Statistics (1926 = 100).



Wednesday figures for twelve Federal Reserve banks. Latest figures are as of October 18, 1933.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

DURING September and the first half of October, industrial activity declined, as it had in August, following the rapid expansion of the spring and early summer. Factory employment and payrolls increased further between the middle of August and the middle of September.

PRODUCTION

Industrial production, as measured by the Board's seasonally adjusted index, declined from 91 per cent of the 1923-1925 average in August to 84 per cent in September. Activity decreased in most lines of industry, and particularly in those in which output had increased rapidly in earlier months. Production of steel, lumber, cement, bituminous coal, and petroleum declined considerably and automobile output was reduced. Deliveries of silk to mills were small in September, while consumption of cotton and wool, although reduced during the month, was nevertheless larger than in other recent years at this season. Meat-packing plants were more active partly because of processing of pigs under the Government's emergency marketing program; and output of flour was larger than the exceptionally small volume produced in August.

In the first half of October further declines in output of automobiles, bituminous coal, and petroleum were reported. Steel mill activity, after increasing in the first half of October, receded in the third week.

EMPLOYMENT

Employment of factory workers increased between the middle of August and the middle of September, and total earnings were larger, partly as a result of further advances in wage rates and the expansion of operations in seasonally active industries such as canning. Employment in public utilities, railroads, stores, and mines also increased, and it is estimated that about 600,000 industrial wage-earners found work during the period.

Preliminary reports for the first half of October indicate some decrease in employment and a continuation of about the same volume of earnings in basic manufacturing industries.

CONSTRUCTION

Construction contracts awarded increased in September to the highest level for the year, according to reports by the F. W. Dodge Corporation, the largest volume of new awards being for public works and for other non-residential projects. In the third quarter of the year value of construction contracts was 25 per cent of the 1923-1925 average.

DISTRIBUTION

Sales at department stores in leading cities increased less than seasonally in September, following an unusually large increase in sales in August. Trade reports indicate that sales volume was affected by unseasonably warm weather and by price advances. Sales of chain variety stores continued in somewhat larger volume than in 1932.

On the railroads, average daily freight shipments during September increased by somewhat less than is usual in the early autumn, but were in larger volume than at any time since the latter part of 1931. In the first two weeks of October carloadings were at a higher level than in late September.

PRICES

During September and the first two weeks of October the general average of wholesale prices in the United States was relatively stable at about 71 per cent of the 1926 average, reflecting, however, widely divergent movements in prices of individual commodities. Prices of raw materials traded on organized exchanges declined sharply during the first two weeks of October and then recovered somewhat. There have been further advances during recent weeks in prices of fuels, iron and steel, building materials, and house furnishings, while prices of cotton textiles and leather have declined.

Retail prices of food showed little change in September, while prices of clothing continued to advance.

FOREIGN EXCHANGE

The value of the dollar in the foreign exchange market fluctuated around 65 per cent of its gold parity during the latter part of September and the first half of October, advanced to 71 per cent in the third week, and declined to 70 per cent on October 23.

BANK CREDIT

Excess reserves of member banks increased by \$100,000,000 between September 13 and October 20, in consequence of the purchase by the Federal Reserve banks of \$170,000,000 of United States Government securities during the period, offset in part by a further decline in discounts and a seasonal increase in the demand for currency. While these purchases of United States Government securities were made chiefly in New York City, member bank funds arising from these purchases were transferred to other parts of the country through expenditures in outlying areas by Federal agencies, and through payment for crops marketed.

At reporting member banks in leading cities there was little change in loans and investments during this period; a decline in the volume of loans on securities was offset by a growth in all other loans.

Money rates in the open market continued at low levels.

On October 20 the Federal Reserve Bank of New York reduced its buying rate on bills from a range of 1 to 1½ per cent for different maturities to a range of ½ to 1 per cent. The rediscount rate at New York was reduced from 2½ per cent to 2 per cent, effective October 20, and on October 21 the Federal Reserve Banks of Cleveland and Chicago reduced their rediscount rates from 3 per cent to 2½ per cent.

